

VZCZCXRO8487
RR RUEHBI RUEHCI
DE RUEHNE #0768/01 0460918
ZNR UUUUU ZZH
R 150918Z FEB 07
FM AMEMBASSY NEW DELHI
TO RUEHC/SECSTATE WASHDC 3057
RUCPDOG/USDOC WASHDC
INFO RUEHIL/AMEMBASSY ISLAMABAD 2062
RUEHCG/AMCONSUL CHENNAI 8887
RUEHKP/AMCONSUL KARACHI 6800
RUEHCI/AMCONSUL KOLKATA 8608
RUEHBI/AMCONSUL MUMBAI 8062
RUEKJCS/SECDEF WASHDC
RUEHRC/DEPT OF AGRICULTURE WASHDC
RHEHAAA/WHITE HOUSE WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RHEHNSC/NSC WASHDC
RHEBAAA/DEPT OF ENERGY WASHINGTON DC

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SIPDIS

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SCA/PPD FOR KVANDEVATE
ECA FOR DAS TFARELL
ECA/A/E FOR JE SEDLINS AND LKUYUMCU
STATE PASS USTR

E.O. 12958: N/A
TAGS: [AF](#) [BEXP](#) [EAGR](#) [ECON](#) [EFIN](#) [ETRD](#) [IN](#) [KPAO](#) [MASS](#) [PK](#)
PREL, PTER, SCUL, SENV, TPHY
SUBJECT: PM TELLS SECRETARY GUTIERREZ U.S.-INDIA RELATION
"LIKE NO OTHER"

11. (SBU) SUMMARY. Commerce Secretary Carlos Gutierrez met Indian Prime Minister Manmohan Singh February 14. The two agreed to explore means to strengthen cooperation in science and technology, clean energy and education, and with regards to education, the Secretary mentioned his initiatives and the P.M. expressed his desire to resolve lingering problems that U.S. academics are having obtaining GOI research clearances. Singh stressed that his vision of a globalizing India included a "pragmatic and principled" partnership with the U.S., and spoke at some length about the challenges he faces trying to extend the benefits of impressive economic growth to India's 600 million rural poor. He cautiously predicted that maintaining current growth rates should be possible provided the GOI does not "mess up" the balance of payments situation or allow inflation to run out of control. The P.M. underlined his commitment to peace with Pakistan, but flagged terrorism from "the neighborhood" as an impediment. END SUMMARY.

SINGH: INDO-U.S. TIES LIKE "NO OTHER RELATIONSHIP"

12. (SBU) Indian Prime Minister Manmohan Singh opened his February 14 meeting with Commerce Secretary Gutierrez by labeling Indo-U.S. links as strong and multi-faceted. He described the relationship as a partnership based on pragmatism and principle, like no other India has with other nations. Sec. Gutierrez agreed, and described growing ties as one the most important future developments in the world. Singh said, given the role the U.S. plays in international fora and international business, the bilateral partnership is key to globalization, as well as critical to India's own development. Gutierrez noted how final 2006 trade figures just out show bilateral trade climbing to 32 billion dollars, and he emphasized President Bush's commitment to double total trade in three years.

GUTIERREZ: SHOULD ALSO EXTEND TO DEFENSE TRADE

13. (SBU) Sec. Gutierrez said he hoped the trade would extend to new deals for the U.S. defense industry. Singh said that the GOI wanted to diversify its defense purchases to acquire the best possible materials and equipment. He said that U.S. industry can look forward to getting its share of defense contracts in the coming years. Singh also predicted strong growth and opportunities for U.S. firms in the aircraft and aviation fields.

P.M.: "WOULD LIKE TO MOVE FASTER
TO LIBERALIZE FINANCIAL SECTOR"

14. (SBU) Asked to give his views on the reform process, Singh said that politically speaking, there were no serious opponents to reform from either the right or the left. Even the Communists, who ruled three states, were led by economic reformers in West Bengal. Singh said he would like to move faster to liberalize the financial sector, but on that score the left is still presenting obstacles. He said there still is a lingering "fear of the unknown" in India, and many "cautious reformers." He admitted that even he did not understand all the complexities of some new financial instruments. Still, Singh was fairly confident that growth would continue, as long as the GOI did not "mess up" the balance of payments or allow inflation to spiral out of control.

15. (SBU) Singh cited the "awesome responsibility" he feels leading a country of one billion people. Because the bulk of

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the population and work force did not enjoy enough protection, he felt he needed to tread slowly on reforms, saying, "Things might be different if we had safety nets." This insecurity is part of the problem of modernizing any developing country. Over 600 million Indians depend on small scale farming on land holdings averaging between 1 and 1.5 hectares. Their lives are so precarious that "when God fails, disaster and misery ensue." Indian cities could not withstand mass migrations of rural populations, and the challenge to India is to develop the rural economy "around but not in" agriculture. India did not aspire to U.S. standards of living, Singh said, "and if we did, that might be harmful to the environment." He said that if he managed to somehow soften the edges of extreme poverty before his death, then he would think his efforts would have been a success. When Secretary Gutierrez cited the wisdom with which Singh was opening the retail sector, Singh defended his prudent approach. He said that while services represent over 50 per cent of India's GDP, the bulk of those working in services come from small scale enterprises, characterized by low productivity and disguised unemployment. Moving too quickly to modernize retail risked social upheaval.

APPLIED SCIENCE KEY TO ECONOMIC GROWTH, CLEAN ENVIRONMENT

16. (SBU) Secretary Gutierrez recounted his Feb. 13 meeting with Technology Minister Sibal, during which the two discussed the possible creation of an S and T group with public/private involvement. Such an entity could receive inputs from the CEO Forum with a view towards commercializing technological research. Singh said the proposal would, "have my blessing," and he cited how much India's Green Revolution depended on U.S. inputs, particularly from venerated Professor Norman Borlaug. Such research in the 60's and 70's had largely come from the public sector, but now S and T research is largely privately financed. The key to future cooperation would be how to disseminate new technologies at reasonable cost to lift people out of

poverty. Secretary Gutierrez pledged to work to identify funding for such a project. He noted USDOC's intention to bring a clean technology trade mission to India in April. Again the P.M. responded enthusiastically and indicated a desire to work together with the U.S. on climate change. Singh said he espoused the precautionary principle on climate change questions, and he noted that land and water degradation in India was already having a major impact on millions of subsistence farmers.

DESIRE TO UNBLOCK STALLED U.S. RESEARCH APPLICATIONS

¶7. (SBU) When Secretary Gutierrez added that USDOC also wanted to find ways to cooperate with India in the field of education in order to increase people to people ties, and mentioned the DOC educational marketing initiative, Singh noted recent controversy over the poor treatment of American scholars in India, who have been faced with numerous hurdles in having their research proposals approved by the GOI. He said he had "flagged" the issue to his staff, and he labeled current GOI inaction as a "product of past thinking." He noted that in the 1960's Peace Corps Volunteers had provided the mainstay of Indo-U.S. people to people contacts, but when that program ended after the Bangladesh War, responsibility for promoting people to people ties had been picked up almost exclusively by American scholars. Times now had changed; almost all middle class Indians now have a close friend or family member living in the U.S., and Americans of Indian origin are now an "economic force to be reckoned with."

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PAKISTAN: GRADUAL EFFORTS TO IMPROVE RELATIONS
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¶8. (SBU) During their meeting, Gutierrez and Singh also briefly discussed Indo-Pakistan relations. Singh said he is trying to improve bilateral ties, but because of terrorism attacks, which detract from his ability to move forward, progress is not always easy. The Indian public response to terrorist attacks in Mumbai and elsewhere is revulsion, and unfortunately, the epicenter of terrorism is "in the neighborhood." Nevertheless, he and President Musharraf had both decided to work jointly to investigate terrorist attacks and improve relations. Singh also said India remains strongly committed to help Afghanistan, and to that end has provided over 750 million dollars in development assistance in the field of health, education, road-building, hydro power and electricity transmission.

¶9. (U) Meeting participants who joined Secretary Gutierrez were Ambassador Mulford, USDOC U/S Lavin, and Economic Counselor Davison (notetaker). Joining P.M. Singh were Ministry of Finance Secretary Ashok Jha, Financial Sector Secretary Vinod Rai, Commerce Secretary G.K. Pillai, and

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Industry Secretary Ajay Dua.

¶10. (U) Secretary Guitierrez' party has cleared this cable.
MULFORD